



# FINANCIAL INSTITUTIONS TODAY

News and topics of interest to financial institutions regulated by the Department of Banking and Finance

Monthly Bulletin #7

July 2011

## Inside this issue:

Board of Directors: Appointing, Incenting, and Overseeing the Chief Executive (continued)	2
Georgia Residential Mortgage Act Fee Reminder	2
Georgia Department of Banking and Finance Adopts Final Rules	3
DBF Outreach and Upcoming Speaking Engagements	3
Action on Applications for the Month of July	4
Customer Service Stars for the Month of July	6
Contact Information	7

## Board of Directors: Appointing, Incenting, and Overseeing the Chief Executive (part 4 of a series)

**"In this world, you get what you pay for." Kurt Vonnegut (Cat's Cradle)**

In the April 2011 Bulletin article titled "Board of Directors: The Essential Roles of Governance and Oversight", we identified four key areas of responsibility for a financial institution board of directors. Two of those four responsibilities were: "Appoint the chief executive officer (CEO)" and "Develop compensation packages that align the CEO's goals to that strategy." The strategy referenced is the financial institution's strategic plan as approved by the board of directors.

One of the most crucial decisions that a board of directors makes is to appoint the CEO. To be effective, the CEO must possess the leadership qualities, integrity, and motivation to implement board approved strategies within risk tolerances established and clearly communicated through board approved policies. In this context, the quote listed above which was taken from the novel "Cat's Cradle" by author Kurt Vonnegut is meant to convey that the way in which you incent people can be expected to have significant impact on the results produced. In short, you generally get what you pay for or incent. As a practical matter, after the CEO selection process itself, perhaps the most important role that the board of directors plays in promoting a healthy and successful financial institution is ensuring the establishment of an incentive structure that clearly aligns executive compensation to board approved strategies designed to achieve objectives of shareholders/members and other key stakeholders in the institution. From a regulatory perspective, the importance and benefit of properly designed incentive structures was expressed by former Federal Reserve Governor Randall Kroszner in a speech at Boston College delivered on June 6, 2008:

"A final fundamental area, governance and risk control, has been a key factor differentiating performance across financial institutions during the recent turmoil. Firms that operated with the two main ingredients for solid governance and controls--thorough information about potential risks provided to a senior management team that is engaged and willing to act and strong incentives throughout the organization--have come through this tumultuous period in better condition. Incentive structures are most effective when clearly and consistently articulated and when they take into account a longer-horizon view of risks to the organization."

(Continued on page 2)

## Board of Directors: Appointing, Incenting, and Overseeing the Chief Executive (part 4 of a series)

(Continued from page 1)

Having appointed a CEO possessing leadership qualities with a clearly defined and aligned incentive structure, the board of directors' role becomes one of ongoing and engaged oversight. It is not the role of a director to manage the day-to-day affairs of the financial institution, but rather to establish a clearly defined framework within which the CEO is allowed to operate and execute. The board oversight role involves serving as a resource to the CEO for advice and guidance along with serving as a check and balance; a point of accountability to ensure achievement of board approved objectives.

Strong leadership from informed and engaged boards of directors is an essential element in returning Georgia's financial services industry to a healthy, stable condition. Boards of directors demonstrate leadership through the appointment of qualified and capable CEOs who are allowed to execute within clearly articulated board approved strategies designed to achieve well defined objectives under an incentive structure that is properly aligned. A final but crucial element is actively engaged oversight of the CEO with mechanisms to ensure accountability.

---

## Georgia Residential Mortgage Act Fee Reminder

The \$10.00 per loan fees required by O.C.G.A. Section 7-1-1011(b)(2) and Department Rule 80-5-1-.04 are due **no later than September 1, 2011**, for residential mortgage loans closed during the period January 1, 2011, through June 30, 2011. A \$10.00 fee will be due if the loan is a residential mortgage loan as defined in the Georgia Residential Mortgage Act (GRMA), and if a security deed, a modification of a security deed or other form of modification of a security interest is recorded.

Financial institutions, mortgage licensees and registrants that act as the *collecting agent* (including brokers who table fund and collect the fee) must submit the fees and file the fee statement before the deadline to avoid fines.

**GRMA per loan fee reporting / remittance must be completed on-line through the Department's secure website. Reporting is required even if no residential mortgage loans were made and no fees are due.** To avoid fines for failure to report / remit GRMA fees, reporting must be completed by the deadline noted above.

With the on-line payment process, the Department accepts either ACH drafts on a checking account or payments by Visa, MasterCard, AmericanExpress, or DiscoverCard credit cards. Reporting and fee payment must be done online from our secure website at: <https://bkgfin.dbf.state.ga.us/GRMAFee.html>.

**IMPORTANT NOTE:** The Department adopted final rules on August 1, 2011, including a change to the fine authorized in Department Rule 80-11-3-.01(13) for late filing of the online fee statement forms. **Effective August 22, 2011, the fine will be reduced from \$1,000 to \$100 per occurrence. There will be no waivers of fines assessed if the online form and fee payment (where applicable) have not been submitted by the September 1st deadline referenced above.**

## Georgia Department of Banking and Finance Adopts Final Rules

On August 1, 2011, the Department adopted Final Rules. **They were filed with the Secretary of State on August 2, 2011, and will be effective 20 days thereafter, or August 22, 2011.** These rules were proposed and distributed on June 28, 2011.

The Department received seven written comments, one concerning electronic versus paper reporting for \$10.00 per mortgage fees, one concerning the cost of a mortgage broker's license, and five concerning the consequences for mortgage loan originators that lack sponsorship for licensure. Department staff thoughtfully considered every comment that was received in response to the issuance of the proposed rules. The Department believes these Final Rules encourage safety and soundness, safe and fair mortgage lending, and conform to the law.

To view or download the Final Rules on our website, go to Laws and Regulations from our homepage (<http://dbf.georgia.gov>) and select the appropriate link for the Final Rules OR access them directly from

[http://dbf.georgia.gov/vgn/images/portal/cit\\_1210/43/44/174045621DBFFinalRules\\_8-1-2011.pdf](http://dbf.georgia.gov/vgn/images/portal/cit_1210/43/44/174045621DBFFinalRules_8-1-2011.pdf)

## DBF Outreach AND UPCOMING SPEAKING ENGAGEMENTS

- ❖ Commissioner Braswell met with a GBA CEO/President Roundtable Group on **August 2nd** and is scheduled to meet with another Roundtable Group on **August 25th** at the Idle Hour Country Club, Macon, GA. He will also be part of a regulatory panel at the CBA seminar on [Dodd-Frank Act: "A Gut Check for the Community Banker"](#) that will be held at the Atlanta offices of [Alston & Bird, LLP](#) on **August 23rd**.
- ❖ Senior Deputy Commissioner Steve Pleger met with a GBA CEO/President Roundtable Group on **August 3rd** and **5th** at the Idle Hour Country Club, Macon, GA. He will also be speaking to the Atlanta Chapter of the Appraisal Institute on **August 25th** at the Georgia International Convention Center, College Park, GA. He will also be participating on a regulatory panel on **August 26th** at the Stress Testing for Community Banks Forum at the Federal Reserve Bank of Atlanta.
- ❖ Deputy Commissioner for Supervision Kevin Hagler participated on the regulatory panel at the CBA Regulation & Taxation Committee meeting on **August 4th** at CBA Headquarters in Marietta, GA.
- ❖ Deputy Commissioner for Non-Depository Financial Institutions Rod Carnes will be speaking to the Georgia Manufactured Housing Association on **Thursday, August 18th** in Forsyth, GA. He will also be speaking to the National Mortgage Learning Foundation on **Wednesday, August 24th** in Atlanta, GA.

## Action on Applications for the Month of July:

The following is a summary of official action taken on applications by State Financial Institutions under Chapter 7-1 of the Code of Georgia and petitions for Certificate of Incorporation of Financial Institutions and other matters of interest during the month of July 2011.

### **APPLICATIONS TO ESTABLISH A BRANCH OFFICE**

<b><u>FINANCIAL INSTITUTION</u></b>	<b><u>BRANCH OFFICE</u></b>	<b><u>APPROVAL</u></b>	<b><u>BEGIN BUSINESS</u></b>
SunTrust Bank Atlanta	Belvedere Square Branch Office 548 E Belvedere Avenue Baltimore, MD 21212	07-01-2011	
SunTrust Bank Atlanta	Avondale Estates Branch Office 3604 Memorial Drive Decatur, GA 30032 DeKalb County	07-01-2011	
SunTrust Bank Atlanta	Historic Springfield Branch Office 1702 N Main Street Jacksonville, FL 32206 Duval County	07-01-2011	
Metro City Bank Doraville	Old Peachtree Road Branch Office 1291 Old Peachtree Road, Suite 190 Suwanee, GA 30024 Gwinnett County	12-05-2008	07-11-2011
Metro Bank Douglasville	Kennesaw Branch Office 2454 Kennesaw Due West Road Kennesaw, GA 30144 Cobb County	07-05-2011	
Fidelity Bank Norcross	Alpharetta Branch Office 10905 Jones Bridge Road Alpharetta, GA 30022 Fulton County	07-11-2011	
Fidelity Bank Norcross	McDonough Branch Office 1375 Highway 20 West McDonough, GA 30253 Henry County	04-06-2011	07-11-2011

### **APPLICATIONS TO CHANGE LOCATION**

<b><u>FINANCIAL INSTITUTION</u></b>	<b><u>CHANGE LOCATION OF</u></b>	<b><u>APPROVAL</u></b>	<b><u>EFFECTIVE</u></b>
Synovus Bank Columbus	Baytree Branch Office From: 1731 Norman Drive Valdosta, GA 31601 Lowndes County To: 1522 Baytree Road Valdosta, GA 31602 Lowndes County	09-14-2010	07-18-2011

**FINANCIAL INSTITUTION**Fidelity Bank  
Norcross**CHANGE LOCATION OF**

Windy Ridge Branch Office

From: 1642 Powers Ferry Road  
Marietta, GA 30067  
Cobb County

To: 2401 Windy Ridge Parkway  
Atlanta, GA 30339  
Cobb County

**APPROVAL**

07-11-2011

**EFFECTIVE**Fidelity Bank  
Norcross

Jacksonville Branch Office

From: 10151 Deerwood Park Boulevard  
Jacksonville, FL 32256  
Duval County

To: 9802 Baymeadows Road  
Jacksonville, FL 32256  
Duval County

Pending

**FINANCIAL INSTITUTION MERGERS****FINANCIAL INSTITUTION****(SURVIVOR)**The Farmers Bank  
Forsyth, GA**MERGED INSTITUTION**The Bank of Perry  
Perry, GA**APPROVAL**

Pending

**EFFECTIVE**The Farmers Bank  
Forsyth, GAThe Peoples Bank  
Covington, GA

Pending

The Farmers Bank  
Forsyth, GASpivey State Bank  
Swainsboro, GA

Pending

**CHECK CASHER LICENSES ISSUED****CITY**Brunswick  
Savannah  
Columbus**APPLICANT NAME**

\* Ajay Mataji, LLC  
Kusum, Inc.

\* The Right Group, Inc.

**TRADE NAME**Sterling Liquors  
Diamond Food Store  
Rainbow Motors

\* =Registered (O.C.G.A. 7-1-700 et al)

**MONEY TRANSMITTER LICENSES ISSUED****MONEY TRANSMITTER**Treasurecom Financial Holdings, Inc.  
Kennesaw, GA**APPROVAL**

07-21-2011

## CUSTOMER SERVICE STARS FOR THE MONTH OF JUNE

It is the Department's goal to provide excellent customer service by meeting and exceeding the expectations of our customers. Along those lines, we would like to recognize the following individuals and/or teams for going above and beyond in serving our customers:

**Senior Assistant Financial Examiner Ryan Baker and his Examination Team (District I)** – The Department received comments from a customer stating: "As a final note, and on behalf of the Bank's senior management and Board of Directors, please let me thank you and your colleagues for the professionalism and many courtesies extended to us during and after the examination process."

**Applications Analyst Susan Nelson (MSBs)** – The Department received comments from a customer stating: "Thanks for your assistance. You are absolutely excellent and a credit to the Department of Banking and Finance. It is always a pleasure to speak with you, and know I will get the help I need."

**Applications Analyst Irene Harper (Mortgage)** – The Department received comments from a customer stating: "I just wanted to say that Irene Harper was and still is a great asset within your organization. She made my transition as simple as could be to my new company. Once again I would like for you to know how much we appreciate her. Thank you Irene Harper!"

**Senior Financial Examiner Betty Thomas and her Mortgage Examination Team** – The Department received comments from a customer stating: "We wanted to take the opportunity to thank the Department for all their help during our review. Ms. Thomas and her team were more than generous with their time and were very helpful throughout the exam process."

**CONGRATULATIONS AND GREAT JOB TO THIS MONTH'S  
CUSTOMER SERVICE STARS!!**



### HOLIDAY CLOSING

This is a reminder that the Department will be closed on  
Monday, September 5th for Labor Day.

**GEORGIA  
DEPARTMENT OF  
BANKING AND FINANCE**

2990 Brandywine Road  
Suite 200  
Atlanta, Georgia 30341-5565

Phone: (770) 986-1633  
Fax: (770) 986-1654 or 1655  
Email: [dbfpress@dbf.state.ga.us](mailto:dbfpress@dbf.state.ga.us)

**We're on the Web!**

**Visit our website at:  
[dbf.georgia.gov](http://dbf.georgia.gov)**

The Department is the state agency that regulates and examines banks, credit unions, and trust companies chartered by the State of Georgia. The Department also has regulatory and/or licensing authority over mortgage brokers/processors, lenders and loan originators, money service businesses, international banking organizations, and bank holding companies conducting business in Georgia.

Our **Mission** is to promote safe, sound, competitive financial services in Georgia through innovative, responsive regulation and supervision.

Our **Vision** is to be the best financial services industry regulator in the country – Progressive. Proactive. Service-Oriented.

*Our Motto is: "Safeguarding Georgia's Financial Services"*

**Sign-up to Receive this Publication:**

This publication is delivered to interested parties via e-mail and is also available from the Department's website at: <http://dbf.georgia.gov> under Publications, **Financial Institutions Bulletin**.

If you would like to be added to our distribution list, send an e-mail to [dbfpress@dbf.state.ga.us](mailto:dbfpress@dbf.state.ga.us) stating your name and e-mail address. Please be sure to include "**Subscribe to Financial Institutions Bulletin**" in the Subject line.

